



CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

In accordance with section 610(b)(2) of the Millennium Challenge Act of 2003, as amended, we wish to inform you that the Millennium Challenge Corporation (“MCC”) entered into a Millennium Challenge Compact with the Government of Malawi on September 28, 2022 (the “Compact”). We have included a detailed summary of the Compact. The text of the Compact is available on MCC’s website.

The attached notification is being sent to Congress on October 6, 2022.

If you require a meeting to discuss the Compact with the Government of Malawi, or MCC at large, please contact Brian Forni at (202) 521-2631 or ForniBJ@mcc.gov.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure: As stated

**MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION**

October 6, 2022

In accordance with section 610(b)(2) of the Millennium Challenge Act of 2003, as amended (22 U.S.C. 7701 et seq.) (the “Act”), this notification is to advise that the Millennium Challenge Corporation (“MCC”) entered into a Millennium Challenge Compact with the Government of Malawi (the “Compact”) under section 605 of the Act on September 28, 2022.

A detailed summary of the Compact follows.

SUMMARY OF MALAWI COMPACT

Overview of the MCC Malawi Compact

MCC has signed a five-year, \$350,000,000 Compact with the government of Malawi aimed at reducing poverty through economic growth.

The Compact seeks to increase competitiveness in the transport sector and increase land efficiency and production. MCC aims to foster an environment that focuses on creating a globally competitive business mindset that not only benefits the macroeconomic situation in Malawi but ensures the poorest are part of the conversation. The Compact includes investments in road infrastructure across prime agricultural areas with strategic land administration.

Background and Context

Malawi is one of the poorest countries in the world, with stagnant growth and a high and persistent poverty rate. Per capita gross national income (“GNI”) was \$580 in 2020, and between 1995 and 2015, growth in per capita income was just 1.5 percent, with a poverty headcount above 70 percent. Real per capita income growth episodes have been only sporadic since 1970, and most occurred prior to 1995. Recent growth has not been widely shared, with income inequality on the rise since 2004 and a current Gini coefficient of 0.42. Despite some progress on human development indicators in the last few decades, food insecurity remains very high, and Malawi ranks near the bottom of the United Nations Development Program Gender Inequality Index. Malawi also has one of the highest rates of child marriage in the world. The country is heavily reliant on donor assistance, with official development assistance accounting for more than 10 percent of GNI per capita in 2019.

A key feature of Malawi’s economy is monoculture—its reliance on a single crop, maize, for subsistence farming—and the lack of trade in that crop or any other crops that could generate more income, with the exception of tobacco (Malawi’s main export crop). While 96 percent of farmers grow maize, only 14 percent sell any of it. Malawi’s exceptionally high freight costs are a key barrier between farms and markets, a problem driven by empty backhauls (themselves a result of low volumes of trade and a lack of aggregation among many small-scale producers), poor road conditions, and market structure.

Malawi is politically stable and has experienced peaceful transitions since independence in 1964. In 2020, a lengthy court battle named Lazarus Chakwera winner of the hotly contested 2019 Presidential election. His administration has made some promising moves, including a January Anti-Corruption Bureau finding against several former and current Ministers and officials, followed by a Cabinet dissolution (and quick reconstitution, minus accused members, with strong rhetorical claims about intolerance for corruption).

Project Summaries

The projects and activities to be completed are:

1. **Accelerated Growth Corridors Project** – The objective of the Accelerated Growth Corridors Project is to reduce costs of transport in targeted rural areas. The project includes two activities:
 - *Road Corridor Improvement Activity* – This activity will target investment in physical upgrades and improvements across different classes of roads within four selected Accelerated Growth Corridors to improve rural access by addressing road conditions and reducing transport costs.
 - *Policy and Institutional Reform and Capacity Building Activity* – This activity will focus on assistance to the Government to address policy, legislative, institutional, and funding issues to ensure that road transport in Accelerated Growth Corridors is well-maintained and managed.

2. **Increased Land Productivity Project** – The objective of the Increased Land Productivity Project is to improve land services. This project is organized into two activities:
 - *Land Administration Resourcing and Institutions Activity* – This activity supports development, adoption, and implementation of reforms to expand national land-based revenues and address institutional change.
 - *City Council Land-Based Revenue Modernization Activity* – This activity expands coverage and collection of land-based revenues in Malawi’s four largest cities, to increase resources for key services and increase investment in land.

3. **American Catalyst Facility for Development Project** – The objective of the American Catalyst Facility for Development Project is to facilitate private sector investment in Malawi’s more challenging but highly developmental sectors, in an effort to catalyze increased private investment consistent with Compact objectives and increase the scale and impact of the Compact.

Compact Overview and Budget

Below is a summary describing the components of the Compact with the Government of Malawi. The budget and expected impacts are based on initial due diligence and project appraisal. The budget for the Compact is up to \$376.25 million.

Table 1: Malawi Compact Budget

Component	Total (in US\$)
1. Accelerated Growth Corridors Project	
1.1 Road Corridor Improvement	\$228,998,000
1.2 Policy and Institutional Reform and Capacity Building	\$15,952,000
Sub-total	\$244,950,000
2. Increased Land Productivity Project	
2.1 Land Administration Resourcing and Institutions	\$20,034,685
2.2 City Council Land-Based Revenue Modernization	\$24,072,315
Sub-total	\$44,107,000
3. American Catalyst Facility for Development Project	\$8,500,000
4. Monitoring and Evaluation (M&E)	\$3,000,000
4. Program Administration and Oversight	\$49,443,000
Total MCC Funding	\$350,000,000

Total Compact Funding	Total (in US\$)
Total MCC Funding	\$350,000,000
Government of Malawi Contribution	\$26,250,000
Total Compact	\$376,250,000